

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20

STR-08 CEA-02 L-03 H-03 DRC-01 /159 W
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FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 4302

INFO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L PARIS 27633

DEPT PLEASE PASS AMEMBASSY DACCA

E.O. 11652: GDS

TAGS: EFIN, PK, BD, FR

SUBJECT: PAKISTAN-BANGLADESH DEBT

REF: STATE 208687

1. SUMMARY. GOF STRONGLY REJECTS OPTION TWO AND REGRETS U.S. HAS EVEN MENTIONED A WRITE OFF AS A POSSIBILITY TO GDP. OPTIONS ONE AND THREE ACCEPTABLE (LATTER WITH CERTAIN CONDITIONS). OPTION ONE IS PREFERRED. END SUMMARY.

2. ECON MIN AND ACTING TREAS. REP. CALLED ON BUY NEBOT, CHIEF, EXTERNAL BILATERAL RELATIONS, FRENCH TREASURY; TO DISCUSS REFTTEL. (NEBOLOIS HIGHEST RANKING OFFICIAL WHO IS KNOWLEDGEABLE ON THIS SUBJECT. HE ALSO HAS MAJOR VOICE IN DECISIONS IN THIS AREA.) ECONMIN OUTLINED IMPORTANCE OF U.S. CONCERN ABOUT PAKISTAN DEBT, AND PRESENTED THE THREE U.S. OPTIONS.

3. NEBOT BEGAN BY ASSERTING THAT THERE WAS LITTLE POLITICAL INTEREST IN FRANCE IN THIS PROBLEM THEREFORE, HE COULD SPEAK WITH AUTHORITY OFFRENCH POSITION WITHOUT CONSULTING HIS MINISTER.

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4. NEBOT OUTLINED BASIS OF FRENCH POSITION, I.E., CONCERN TO FIND PROPER LINE BETWEEN GOF DESIRE TO HELP PAKISTAN AND ITS DESIRE TO AVOID CREATING BAD PRECEDENT. HE THEN LAUNCHED INTO A STRONG CONDEMNATION OF OPTION TWO, AND THEY VERY CONCEPT OF WRITING OFF DEBTS. HE SAID IT WAS DANGEROUS EVEN TO MENTION THIS AS AN OPTION AND WAS SORRY THAT THE USG HAD DISCUSSED THIS WITH THE GOP EVEN ON THESE TERMS. NEBOT RETURNED TO THIS SUBJECT SEVERAL TIMES DURING THE CONVERSATION, SAYING THAT IF A LARGE COUNTRY LIKE THE U.S. HAS SUCH A "SOFT" ATTITUDE, THE OTHERS WOULD BE FORCED TO GO ALONG, THAT EVERY OTHER COUNTRY IN DIFFICULTY COULD DEMAND THE SAME THING. HE ALSO WARNED THAT, IF WE OFFERED SECOND OPTION TO GOP IT WOULD "POCKET" THE CANCELLATION OFFER AND GO ON TO ASK FOR OTHER LONG-TERM RESCHEDULING.

5. IN DISCUSSION OF OTHER OPTIONS, NEBOT SAID THAT EITHER OPTION ONE OR THREE WAS ACCEPTABLE, BUT THAT HE PREFERRED OPTION ONE. OPTION THREE WAS LESS DESIRABLE BECAUSE IT INVOLVED NON-DEFAULT RESCHEDULING, AND WOULD ONLY BE ACCEPTABLE IF IT WAS LIMITED TO AN AMOUNT SUBSTANTIALLY LESS THAN THE TOTAL DEBT AND WENT NO FARTHER THAN DEBT SERVICE FALLING DUE IN THE NEXT 3-4 YEARS.

6. QUESTIONED ABOUT GOP ATTITUDES TOWARD TO OPTIONS, HE REPEATED OPINION THEY WOULD GRAB FOR THE WRITE-OFF OF DISPUTED DEBT AND CONTINUE TO INSIST ON LONG-TERM RESCHEDULING. HE ALSO NOTED THAT ANY VIEWS HE COULD GIVE US ON OUR OPTIONS HAD TO BE VERY GENERAL IN THE ABSNCE OF SPECIFIC PROPOSALS ABOUT TERMS.

7. COMMENT: EXCEPT FOR HIS STRONG RESERVATIONS ON THE SECOND OPTION, NEBOT DISPLAYED A DYMPATHETIC ATTITUDE TOWARD OUR DESIRE TO BE HELPFUL TO PAKISTAN AND WE BELIEVE WE CAN COUNT ON GOF SUPPORT.

IRWIN

NOTE BY OC/T: NOT PASSED DACCA.

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